

## **United States Position**

### **Proposed IFC Investment in Ecom Agroindustrial Corp. Ltd.**

#### **World Region – (West Africa and Central Asia) - October 13, 2011**

There are a number of attributes to this investment which the United States agrees are important areas for IFC engagement. For example, the United States supports the project's focus on frontier regions and on development impact for the poorest of farmers. Nevertheless, the United States has serious concerns about the project's environmental and social risks, and the high reputational risk to the IFC. The project is inconsistent with core performance standards and does not have a clear near term path to be consistent with those standards.

The United States strongly supports maintaining the highest performance standards with respect to the prevention of child and forced labor and protection of critical natural habitat. The United States recognizes that agricultural supply chain management poses difficult challenges, as it presents difficult geographic, social and environmental issues. This does not mean that the labor and environment performance standards are no longer applicable or cannot be fully integrated into project design.

The United States appreciates the open dialogue with IFC staff about this investment, and recognizes that there are differences in opinion on the effectiveness of measures to mitigate its social and environmental impacts. The United States views the targets and timeframes for meeting the IFC's performance standards to be vague and inadequate. As such, the United States would have appreciated additional clarity in the client's environmental and social action plan. The United States understands from speaking with IFC staff that significant progress in the traceability and certification of Ecom's supply chain is expected by 2016. The expected outcomes from this work should have been more clearly presented, and more explanation should have been provided as to why the timeframe is so long.

The United States believes working with well-established partners that have reputations for building strong linkages with farmers and communities should be integral to IFC's investments in the agricultural sector. Such linkages are important to mitigate the risks of labor exploitation in cotton production and the risks of environmental degradation in coffee production.

More broadly, these are issues that need to be addressed comprehensively by the World Bank Group. For example, the World Bank can emphasize in its policy dialogue and advisory services that government-mandated child and forced labor, as in Uzbekistan, is simply not acceptable. Nor is the Government of Uzbekistan's reported threat to cut off transit routes for cotton shipments from Tajikistan acceptable. In countries where child labor appears to be a symptom of poverty, the World Bank should emphasize the value of compulsory education and incentives for families to send their children to school.

Finally, the United States supports the highest level of disclosure for projects designated as Category A by IFC's Environmental and Social safeguards policy. The date of availability of the proposed investment's assessment did not meet our 120 day disclosure requirement.

In light of these serious concerns, the United States wishes to be recorded as opposing the investment in Ecom Agroindustrial Corporation.